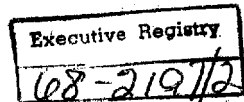


SECRET EYES ONLY



9 MAY 1968

MEMORANDUM FOR: Executive Director-Comptroller
Deputy Director for Support

SUBJECT : Early Retirement Incentives

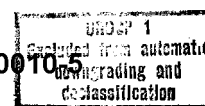
1. Judging from the responses I have received regarding several proposals I have made on this subject, there is very little community of understanding as to what it is the Agency is trying to accomplish, what the true problems are, and what the feasible courses of action are. People persist in failing to differentiate between the problems of Directorates predominantly or significantly concerned with overseas operations and those not so involved. They seek to give benefits not directly related to the number of years of government or agency service (a cardinal rule of every retirement or separation system that I have any familiarity with). Finally, they either propose solutions that require legislation while decrying the feasibility of obtaining legislation, or solutions without legislation that would require such selectivity in applicability as to fail in the basic objectives.

2. In order to come to grips with the matter, I strongly urge we first define the true problems we are trying to solve. To my mind, they are very clear and are the following:

Problem No. 1: The Agency has a serious problem concerning the utilization until age 60 of all employees whose careers have been oriented toward work abroad. There are not sufficient assignments abroad for large numbers of employees over age 50 and neither are there sufficient headquarters assignments for them. The CIA Retirement System was designed to solve this problem through its provisions for voluntary or involuntary early retirement (age 50).

It is now clear that the right to retire as early as age 50 even with the substantially higher annuity (3.75% x high five salary) is not sufficient incentive to induce enough officers to exercise this option. In my opinion, this is due to two broad factors:

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- 2 -

a. The seeking of a new field of vocational endeavor after a career of specialization in an arcane field of work is generally difficult, time consuming, and expensive. This generates caution and self-doubts and, of course, concern for one's financial welfare during the transitional period. The fact that one has an annuity of 50 or so percent of one's former salary is most helpful and promises a greatly augmented income if one is successful in making the "right" vocational transfer. In the interim period, however, there is serious risk of income impairment and the need, perhaps, to enter a less than fully satisfactory field of employment.

b. Agency employees, by demonstrated choice, training, and experience are generally not oriented toward commercial employment. They are basically motivated to work for the Government or in equivalent intellectual pursuits, and they thoroughly enjoy their Agency work and their career-long associations with Agency colleagues. They tend to overlook the fact that if they cannot be placed in worthy and challenging headquarters assignments during the final five to ten years of their career, they will certainly be unhappy and a millstone around the neck of the Agency.

It is also clear that the Agency does not feel that it can extensively utilize its involuntary retirement rights by operating some sort of a selection-out program on a regular basis. I can appreciate the fears of management in this regard in terms of security hazards and morale considerations. I believe, however, that the problems of inducing more employees to want to retire early or to gracefully accept involuntary early retirement can both be solved if the means is provided to eligible employees to effect a career reorientation without grave financial expense and hazard. The solution is simply to provide assurance that their expendable incomes will not be impaired in the process.

One solution is cash supplements to earned annuities for a reasonable period of time. An alternative, far more costly to the Government and far less feasible, is to increase annuities to such an extent that the individual can leave without serious doubts as to his financial security. Since the basic annuity after 20 to 25

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- 3 -

years of service will be about 40 to 50% of high five salary, it is utterly unrealistic to assume that the formula could be improved sufficiently to overcome the financial and psychological obstacles to early retirement.

In summary, some form of cash supplement must be added to the earned annuity to make the idea of early retirement an accepted risk. Whether this is done with legislation or under existing Agency authority is not material. If the latter, and some subterfuge must be employed, the Agency should nonetheless pave the way for its action by honest discussion with its Congressional committees, the Bureau of the Budget, and possibly other Government officials. In this connection, there is strong argumentation that such expenditures are warranted exclusively by CIA in terms of the arcane nature of the career duties of these people and the grievous security risks involved in their alienation.

Problem No. 2: In asking, indeed requiring, Civil Service employees to retire at age 60, there can be no doubt but that their normal rights as Government employees have necessarily been subordinated to the best interests of the Government. There can be no doubt but that they are severely penalized financially - through loss of salary and creditable service affecting both their annuity multiplier (2% each additional year) and probably their high five salary.

Simple equity and compelling needs to preserve the Agency's reputation as a preferred employer warrants compensatory action of some sort. Again, the options are two - legislation to improve the annuity formula or supplementary cash payments.

3. From the above, the different nature of the two problems is apparent. Although the objectives and justifications differ, the available solutions are of the same type in each case. Preferably compatible solutions should be pursued even though the problems and the justifications for remedial action are different.

4. In conclusion, in taking up the subject of retirement incentives/compensation, I would:

a. Obtain agreement as to what the basic problems are - precisely noting the dissimilarities.

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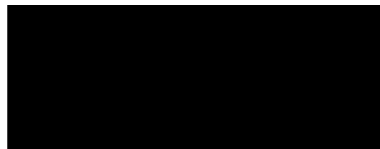
- 4 -

b. Decide whether increased annuities or supplementary payments is the preferable and most responsive solution.

c. Modify the conclusions in b. by deciding the feasibility of obtaining legislation which would absolutely be necessary to increase annuities.

d. If the preferred solution is supplementary cash payments, devise an equitable and adequate formula.

e. Prepare the proposal and the argumentation and pursue the right or political sanction to effect it.



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Special Assistant to the
Deputy Director for Support
for Special Studies

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